



CITY COUNCIL AGENDA REPORT

MEETING DATE: JULY 19, 2005

ITEM NUMBER:

SUBJECT: RESIDENTIAL REMODELING INCENTIVE PROGRAM

DATE: JULY 9, 2005

FROM: DEVELOPMENT SERVICES DEPARTMENT

PRESENTATION BY: DONALD D. LAMM, AICP, DEPUTY CITY MGR.-DEV. SVS. DIRECTOR

FOR FURTHER INFORMATION CONTACT: DON LAMM (714) 754-5270

RECOMMENDATION:

Provide staff policy direction concerning program features and effective dates.

BACKGROUND:

Due to the increasing demand for ownership housing, escalating sales prices, and record low mortgage rates, an extraordinary number of people are remodeling single family homes. As such, our community benefits in many ways whenever a home is upgraded in quality, appearance, and value.

To encourage greater reinvestment in our community, at your meeting on May 17, 2005, Council Member Bever requested a proposal be prepared and returned to Council, for creating an incentive program to encourage remodeling of more single family homes.

ANALYSIS:

Staff has given considerable thought to what features an incentive program could include to encourage greater reinvestment in our residential community. While the range could include significant zoning code revisions, for this incentive program staff is focusing on the construction phase to avoid compromising the public review process:

Incentive Program Features:

- Program effective dates- Three months between Memorial Day and Labor Day. This focuses the program on the busier summer months. For this year, an abbreviated program could be used as a trial period before full implementation in 2006.
- The home shall be a single-family detached dwelling and owner occupied as evidenced by a homeowner exemption on the County Assessor records.
- Construction plan check, building, electrical, and plumbing permit fees will be waived for structural remodeling, alterations, renovation, and additions, to any single family detached dwelling where the valuation of work does not exceed

\$150,000 and the home is at least five years old. To implement this feature, Council would need to adopt a resolution revising the City's user fee schedule reflecting these waivers during the program duration. If Council approves this feature at your July 19th meeting, a formal resolution will be prepared and placed on your August 2, 2005 agenda for consideration.

- Illegally constructed improvements will be exempt from the current double fee penalty up to the same \$150,000 in building valuation. However, all illegally constructed improvements must still comply with Building Codes to ensure structural integrity, safety, and quality of workmanship, and Zoning Codes to ensure compliance with applicable development standards.
- Express Planning and Building plan checks will be offered. As such, residential remodeling plans will be given first priority over all other plans in processing.
- Preferred morning or afternoon inspections will be offered.
- Temporary driveway storage containers, for household furnishings and construction materials, will be allowed for six months from the date of building permit issuance subject to one three month extension if approved by a building inspector. The idea of allowing driveway storage containers was proposed by Council Member Foley at your June 7, 2005 meeting. To implement this feature, staff is currently preparing an ordinance for consideration at your August 16, 2005 meeting.

Fee Calculation Examples

The following are two typical scenarios providing an overview of the most significant fees:

Example #1: "One story addition consisting of a bedroom and bath- 300 S.F."

300 S.F. x \$92.4 valuation per S.F. = \$27,720.00 valuation*

(*Note: actual construction cost is generally higher than City projected valuation)

- | | |
|---|----------|
| • Building permit | \$422.05 |
| • Plan check | 274.33 |
| • Electrical permit | 73.05 |
| • Plumbing permit | 52.90 |
| • Mechanical permit | 44.45 |
| • SMIP ("Strong Motion Instrument Program" | 2.77 |
| State earthquake monitoring fee) | |
| • School District Fee (exempt under 500 S.F.) | |
| • Sanitary District fees (not included) | |
| • Water District Fees (not included) | |
| • Other miscellaneous (not included) | |

Total Fee Waiver

\$869.55

Example #2: "One story addition consisting of a bedroom and bathroom- 500 S.F."

500 S.F. x \$92.4 per S.F. = \$46,200.00 valuation -*

(*Note: actual construction cost is generally higher than City projected valuation)

- Building permit 613.95
- Plan check 399.07
- Electrical permit 73.05
- Plumbing permit 52.90
- Mechanical permit 44.45
- SMIP 4.62
- School district fee - 500 S.F. x \$1.84 per S.F. = 920.00 (Not subject to City fee waiver)
- Sanitary District fees (not included)
- Water District Fees (not included)
- Other miscellaneous (not included)

Total City Fee Waiver **\$ 1,188.04**

FISCAL REVIEW:

Staff cannot project the exact fiscal impact if all program features are implemented, since there are hundreds of permits each year for minor work such as roofing replacement, plumbing upgrading, electrical installations and similar work. However, staff has quantified the more significant projects into the categories of "residential alterations (remodeling)" and "residential additions".

The Building Division reports we are currently averaging seven plan checks per month for "residential alterations." Seventy percent of these are performed over-the-counter with an average valuation of \$9,600.00, and over ninety percent have a valuation less than \$13,000.00. Therefore, the average plan check fee is \$88.00 and the average building permit is \$135.00, totaling \$223.00 for both. The total estimated residential alteration fees waived would be \$4,685.00 for the three-month program

Additionally, we are averaging fourteen plan checks per month for "residential additions." Ten percent of these are performed over-the-counter with an average valuation of \$65,000.00, and over ninety percent have valuations less than \$130,000.00. For "residential additions", the average plan check fee is \$450.00 and the average permit is \$692.00. If the same trend continues, staff estimates we would waive approximately \$18,900.00 in plan check fees and \$29,065.00 in permit fees, for a total of \$47,965.00, which does not include electrical or plumbing permits.

Without analyzing all the smaller home repair permits for the past year, staff conservatively estimates waving at least another \$5,500.00 in miscellaneous permits.

Based on the above estimates, the total fees waived would be \$58,150.00 over the three-month period. (Not including fees waived for electrical and plumbing permits).

LEGAL REVIEW:

Legal review is not required at this time. However, should Council wish to proceed, the City Attorney's Office will assist in preparation of the fee waiver resolution and the CMMC Title 20 ordinance revision.


ALTERNATIVES CONSIDERED:

Council requested staff to prepare a proposal for Council consideration. Therefore, City Council may select or reject whatever features of the program you wish, or possibly consider delaying the program until such time the number of residential alterations and additions significantly declines due to rising interest rates.

CONCLUSION:

City Council wishes to consider an incentive program to encourage greater homeowner investment in remodeling their homes. As such, staff has considered many options, ideas, and suggestions in the preparation of this proposal. Should Council wish to proceed with such a program, staff will prepare a fee waiver resolution and an amendment to the Costa Mesa Municipal Code for consideration at your August Council meetings. However, staff projects the program could cost in excess of \$58,000 over three months if user fees for plan checking and building inspection are waived. If the program results in an increased average of residential alterations and additions, the program cost would increase.


DONALD D. LAMM, AICP
Deputy City Mgr.- Dev. Services Dir.


KHANH NGUYEN, CBO
Building Official


MARC R. PUCKETT
Director of Finance

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